



JOHN NAIMO  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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June 8, 2015

TO: Supervisor Michael D. Antonovich, Mayor  
Supervisor Hilda L. Solis  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Don Knabe

FROM: John Naimo   
Auditor-Controller

SUBJECT: **VIOLENCE INTERVENTION PROGRAM COMMUNITY MENTAL  
HEALTH CENTER, INC. – A DEPARTMENT OF MENTAL HEALTH  
SERVICE PROVIDER – FISCAL COMPLIANCE REVIEW**

We completed a fiscal compliance review of Violence Intervention Program Community Mental Health Center, Inc. (VIP or Agency), covering Fiscal Years (FY) 2013-14 and 2014-15. The Department of Mental Health (DMH) contracts with VIP to provide mental health services, including interviewing Program clients, assessing their mental health needs, and implementing treatment plans.

The purpose of our review was to determine whether VIP appropriately spent DMH Program funds. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with their contract and other applicable guidelines.

During FYs 2013-14 and 2014-15 (until May 2015), DMH paid VIP approximately \$6.9 and \$6.8 million, respectively, on a cost-reimbursement basis. The Agency provides services in the First Supervisorial District.

**Results of Review**

VIP maintained adequate documentation to support the DMH expenditures reviewed, and maintained adequate controls over cash. However, VIP's personnel files were missing required documentation. Specifically, three (20%) of the 15 personnel files reviewed did not contain proof of education, and nine (60%) personnel files did not

contain job descriptions. After our review, VIP provided proof of qualifications and job descriptions.

*VIP's attached response indicates that they implemented a new policy to ensure that their personnel files contain all required information.*

Details of our review, along with a recommendation for corrective action, are attached.

### **Review of Report**

We discussed our report with VIP and DMH. VIP's attached response (Attachment II) indicates that they agree with our finding and recommendation. DMH will work with VIP to ensure our recommendation is implemented.

We thank VIP management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:EB:sk

### **Attachments**

c: Sachi A. Hamai, Interim Chief Executive Officer  
Dr. Marvin J. Southard, D.S.W., Director, Department of Mental Health  
Birgitta Granberg, Chairperson, VIP  
Dr. Astrid Heppenstall Heger, M.D., Executive Director, VIP  
Public Information Office  
Audit Committee

**VIOLENCE INTERVENTION PROGRAM  
COMMUNITY MENTAL HEALTH CENTER, INC.  
DEPARTMENT OF MENTAL HEALTH  
FISCAL COMPLIANCE REVIEW  
FISCAL YEARS 2013-14 AND 2014-15**

**CASH/REVENUE**

**Objective**

Determine whether Violence Intervention Program Community Mental Health Center, Inc. (VIP or Agency) properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if bank account reconciliations were reviewed and approved by Agency management timely.

**Verification**

We interviewed VIP personnel, and reviewed their financial records and December 2014 bank reconciliations for two bank accounts.

**Results**

VIP properly recorded revenue in their financial records, deposited the Department of Mental Health (DMH) cash receipts timely, and bank reconciliations were reviewed and approved by Agency management timely.

**Recommendation**

**None.**

**EXPENDITURES/COST ALLOCATION PLAN**

**Objective**

Determine whether VIP's Cost Allocation Plan (Plan) complied with their County contract, and if expenditures charged to DMH were allowable, properly documented, and accurately billed.

**Verification**

We reviewed the Agency's Plan and their financial records for 48 DMH non-payroll expenditures, totaling \$204,692, charged to DMH from July 2013 to December 2014. We also interviewed Agency personnel.

**Results**

VIP prepared their Plan in compliance with their County contract, and allocated their shared costs appropriately. In addition, their expenditures were allowable, properly documented, and accurately billed.

**Recommendation**

None.

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether VIP's fixed assets and equipment purchased with DMH funds were used for the Program and adequately safeguarded.

**Verification**

We interviewed VIP personnel, and reviewed the Agency's fixed assets and equipment inventory list. We also performed a physical inventory of 23 items purchased with DMH funds to verify the items exist and were being used for the Program.

**Results**

VIP adequately safeguarded and used the items reviewed for the DMH Program.

**Recommendation**

None.

**PAYROLL AND PERSONNEL****Objective**

Determine whether VIP appropriately charged payroll costs to DMH and maintained personnel files as required.

**Verification**

We compared the payroll costs for 15 (10 direct and 5 shared) employees, totaling \$74,412 (\$52,109 direct and \$22,303 shared) for December 2014, to the Agency's payroll records and time reports. We also interviewed staff and reviewed their personnel files.

**Results**

VIP appropriately charged payroll costs to the DMH Program. However, VIP's personnel files were incomplete. Specifically, three (20%) of the 15 personnel files reviewed did not contain proof of education, and nine (60%) personnel files did not contain job descriptions.

**Recommendation**

1. **Violence Intervention Program Community Mental Health Center, Inc. management maintain required documentation in personnel files.**

**COST REPORT**

**Objective**

Determine whether VIP's Fiscal Year (FY) 2013-14 DMH Cost Report reconciled to their financial records.

**Verification**

We compared the Agency's FY 2013-14 DMH Cost Report to their financial records.

**Results**

VIP's FY 2013-14 DMH Cost Report reconciled to their financial records.

**Recommendation**

**None.**



**VIOLENCE INTERVENTION PROGRAM**  
**VIP Community Mental Health Center, Inc.**

May 15, 2015

John Naimo, Auditor-Controller  
Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 525  
Los Angeles, CA 90012-3873

***Re: Response to VIP Community Mental Health Center, Inc. (VIP CMHC) Contract Compliance Review FY 2013-2014 and FY 2014-2015***

VIP CMHC is dedicated to providing the highest quality of services to its clients. The management team acknowledges that maintaining compliance to its contract with DMH is critical.

As a result of the Contract Compliance Review, substantial efforts have been made toward improvement in the area found to be deficient. We are hopeful that our efforts thus far will be acknowledged with the understanding that we are committed to continued oversight and improvements.

Our goal is always to be a model DMH funded program.

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***Audit Reference:*** During the contract compliance review audit, it was determined that job descriptions and/or proof of qualifications in the Personnel Supplemental Testwork Schedule were missing in the instance of 12 employee personnel files.

**Corrective Action Plan:** VIP CMHC has implemented a new policy that requires a formal review and signature by the Human Resources Manager of all active and new personnel files.

The VIP CMHC Personnel File Checklist tool has been revised to require the review and signature of the Human Resources Manager for each personnel file. This process will require the Human Resources Manager to verify the completion of each personnel file compiled by the Human Resources Assistant and guarantee adherence to the DMH guideline for personnel records.

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We have been diligently working to address your concerns and again are committed to being a model program for the County of Los Angeles. Please contact me if you have any questions or additional suggestions.

Sincerely,

Kelly Armaly, MBA  
Chief Operating Officer

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